

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2019, and all information contained in these financial statements rests with the management of the Secretariat of the National Security and Intelligence Committee of Parliamentarians (the Secretariat). These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Secretariat's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Secretariat's Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Secretariat and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2019 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The financial statements of the Secretariat have not been audited.

Rennie Marcoux
Executive Director

Ottawa, Canada
September 6, 2019

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)	2019	2018
Liabilities		
Accounts payable and accrued liabilities (note 4)	259	503
Vacation pay and compensatory leave	103	-
Employee future benefits (note 5)	36	-
Total liabilities	398	503
Assets		
Financial assets		
Due from Consolidated Revenue Fund	187	503
Accounts receivable and advances (note 6)	75	-
Total net financial assets	262	503
Departmental net debt	136	-
Non-financial assets		
Prepaid expenses	1	-
Tangible capital assets (note 8)	27	-
Total non-financial assets	28	-
Departmental net financial position	(108)	-

Contractual obligations (note 5)

The accompanying notes form an integral part of these financial statements.

Rennie Marcoux
Executive Director

Ottawa, Canada
September 6, 2019

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	Planned Results 2019	2019	2018
Expenses			
Assist the National Security and Intelligence Committee of Parliamentarians in fulfilling its mandate	2,253	3,466	579
Internal services	1,047	286	19
Total Expenses	3,300	3,752	598
Net cost of operations before government funding and transfers		3,752	598
Government funding and transfers			
Net cash provided by Government of Canada		3,950	76
Change in due from the Consolidated Revenue Fund		(315)	503
Services provided without charge by other government departments (note 6a)		9	19
Net cost of operations after government funding and transfers		108	-
Departmental net financial position - End of year		(108)	-

Segmented information (note 7)

The accompanying notes form an integral part of these financial statements.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Change in Departmental Net Debt (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	2019	2018
Net cost of operations after government funding and transfers	108	-
Change due to tangible capital assets		
Acquisition of tangible capital assets	27	-
Amortization of tangible capital assets	(1)	-
Total change due to tangible capital assets	26	-
Change due to prepaid expenses	1	-
Net increase (decrease) in departmental net debt	135	-
Departmental net debt - End of year	135	-

The accompanying notes form an integral part of these financial statements.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Statement of Cash Flow (Unaudited)

For the Year Ended March 31

(in thousands of dollars)	2019	2018
Operating activities		
Net cost of operations before government funding and transfers	3,752	598
Non-cash items:		
Amortization of tangible capital assets	(1)	-
Services provided without charge by other government departments (note 6a)	(9)	(19)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	75	-
Increase (decrease) in prepaid expenses	1	-
Decrease (increase) in accounts payable and accrued liabilities	244	(503)
Decrease (increase) in vacation pay and compensatory leave	(103)	-
Decrease (increase) in future employee benefits	(36)	-
Cash used in operating activities	3,923	76
Capital investing activities		
Acquisitions of tangible capital assets (note 8)	27	-
Cash used in capital investing activities	27	-
Net cash provided by Government of Canada	3,950	76

The accompanying notes form an integral part of these financial statements.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

1. Authority and objectives

On June 22, 2017, the bill to establish the National Security and Intelligence Committee of Parliamentarians and its Secretariat received Royal Assent. Effective October 6, 2017, the Governor in Council, on recommendation of the Prime Minister, established NSICOP with the Order in Council 2017-1236, 2017-1237 and 2017-1238. The Secretariat received its funding on December 11, 2017. The Prime Minister appointed the Committee's eleven members, from both Houses of Parliament, on November 6, 2017.

The Secretariat provides support to an independent committee of Parliamentarians with a mandate to review the activities of Canada's national security and intelligence apparatus. The Secretariat's Executive Director was appointed in December 2017 and has the rank and all the powers of a deputy head of a department.

The Secretariat articulates its plans and priorities based on its core responsibility and program noted below:

Core Responsibility

Assist the National Security and Intelligence Committee of Parliamentarians in fulfilling its mandate. The Secretariat's core responsibility consists of a range of activities to ensure the National Security and Intelligence Committee of Parliamentarians receives timely access to relevant information, strategic and expert advice in the conduct of reviews and development of reports, and support to ensure compliance with security requirements. Results and indicators are under development.

Program

Reviews: This area supports the conduct of reviews identified by the National Security and Intelligence Committee of Parliamentarians. It does so by identifying and securing access to relevant information, conducting research and analyzing information to provide strategic advice to the Committee. This work supports consideration by the Committee of the legislative, regulatory, policy, administrative and financial framework for national security and intelligence, and any activity carried out by a federal department in relation thereto, and enables the development of findings and recommendations.

Internal Services

Internal Services are those groups of related activities and resources that the Federal Government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refer to the activities and resources of ten distinct services that support program delivery in the organization, regardless of the Internal Services delivery model in a department. These services are: Acquisition Management Services, Communications Services, Financial Management Services, Human Resources Management Services, Information Management Services, Information Technology Services, Legal Services, Materiel Management Services, Management and Oversight Services, Real Property Management Services.

2. Summary of significant accounting policies

These financial statements are prepared using the department's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The Secretariat is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Secretariat do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(b) Net cash provided by Government

The Secretariat operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Secretariat is deposited to the CRF, and all cash disbursements made by the Secretariat are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(c) Amounts due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Secretariat is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Expenses

Expenses are recorded on the accrual basis:

- ✓ Services provided without charge by other government departments for employer contributions to the health and dental insurance plans are recorded as operating expenses at their carrying value.

(e) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

3. Parliamentary authorities

The Secretariat receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Secretariat has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)

	2019	2018
Net cost of operations before government funding and transfers	3,752	598

Adjustments for items affecting net cost of operations but not affecting authorities:

Amortization of tangible capital assets	(1)	-
Services provided without charge by other government departments	(9)	(19)
Prepaid expenses previously charged to appropriation	(1)	-
Increase / (decrease) in vacation pay and compensatory leave	(103)	-
Increase / (decrease) in future employee benefits	(36)	-
Refund of prior years' expenditures	2	-

Total items affecting net cost of operations but not affecting authorities	(148)	(19)
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Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisition of tangible capital assets	27	-
Increase / (decrease) in prepaid expenses	2	-

Total items not affecting net cost of operations but affecting authorities	29	-
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Current year authorities used	3,632	579
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(b) Authorities provided and used

(in thousands of dollars)

Authorities provided:

Vote 1 - Operating expenditures	6,573	4,262
Statutory amounts	145	-

Less:

Lapsed: Operating	(3,086)	(3,683)
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Current year authorities used	3,632	579
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SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

4. Accounts payable

The following table presents details of the Secretariat's accounts payable:

(in thousands of dollars)

	2019	2018
Accounts payable - Other government departments and agencies	68	468
Accounts payable - External parties	191	35
Total accounts payable	259	503

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

5. Contractual obligations

The nature of the Secretariat's activities may result in some large multi-year contracts and obligations whereby the Secretariat will be obligated to make future payments in order to carry out its programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2020	2021	2022	2023	2024	2025 and subsequent	Total
Repair and maintenance	200	-	-	-	-	-	200
Rental	81	-	-	-	-	-	81
Total	281	-	-	-	-	-	281

6. Related party transactions

The Secretariat is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Secretariat enters into transactions with these entities in the normal course of business and on normal trade terms.

In addition, the Secretariat has an agreement with Privy Council Office related to the provision of finance and administration services which is included in section b). During the year, the Secretariat received common services which were obtained without charge from other government departments as disclosed below:

a) Common services provided without charge by other government departments

During the year, the Secretariat received services without charge from certain common service organizations, related to the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded at the carrying value in the Secretariat's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2019	2018
Employer's contribution to the health and dental insurance plans	9	19
Total	9	19

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada are not included in the Secretariat's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 are also not included in the Secretariat's Statement of Operations and Departmental Net Financial Position.

b) Other transactions with other government departments and agencies

(in thousands of dollars)	2019	2018
Expenses	3,018	545

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

7. Segmented information

Presentation by segment is based on the Secretariat's core responsibility. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main core responsibilities by major object of expense. The segment results for the period are as follows:

(in thousands of dollars)	<i>Assist the National Intelligence Committee of Parliamentarians in fulfilling its mandate</i>	<i>Internal services</i>	2019	2018
Expenses				
Salaries and employee benefits	1,459	52	1,511	230
Repair and maintenance	1,308	-	1,308	330
Professional and special services	472	232	704	24
Acquisition of machinery and equipment	82	-	82	
Transportation and communications	49	1	50	9
Accommodation	40	-	40	
Information	40	-	40	5
Utilities, materials and supplies	9	-	9	
Rentals	6	-	6	
Amortization of tangible capital assets	1	-	1	
Other	1	-	1	
Total Expenses	3,467	285	3,752	598
Net cost of operations before government funding and transfers	3,467	285	3,752	598

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

8. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization Period
Informatics hardware	3 to 5 years
Other equipment	10 to 15 years

Capital Asset Class (in thousands of dollars)	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Acquisitions	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Disposals and Write-Offs	Closing Balance	2019	2018
Informatics hardware	-	14	-	14	-	-	-	(1)	13	-
Other equipment	-	13	-	13	-	1	-	(1)	12	-
	-	27	-	27	-	1	-	(2)	25	-

*Note: Values rounded.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

1. Introduction

This document provides summary information on measures taken by the Secretariat of the National Security and Intelligence Committee of Parliamentarians (the Secretariat) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management, assessment results and related action plans.

Detailed information on the Secretariat's authority, mandate, and programs can be found in our Departmental Plan <https://www.canada.ca/en/national-security-intelligence-committee-parliamentarians/services/reports/departmental-plan/2018-2019.html>

2. Departmental system of internal control over financial reporting

2.1 Internal Control Management

The Secretariat recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and are well equipped to exercise these responsibilities effectively. In accordance with a Memorandum of Understanding, the Secretariat's financial transactions are processed by the Privy Council Office (PCO) within their financial system and are for the most part subject to the same control environment.

The Secretariat relies on PCO control measures to a large extent; but, also recognizes the importance of ensuring that it implements its own complementary measures. To this end, the Secretariat ensures that all managers with financial delegation have completed the appropriate training course prior to exercising their delegation. The Secretariat has implemented a rigorous governance and accountability structure to support the oversight of its system of internal control, which includes:

- Values and ethics framework;
- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility;
- Evidence of effective planning and reporting activities which includes multiple financial reviews and regular financial reporting to all managers including senior management;
- Integrated risk management and on-going quality assurance and monitoring activities;
- On-going communication and training on statutory requirements, policies, and procedures for sound financial management and control; and,
- Monitoring and regular updates as needed on internal control management plus assessment results and action plan.

2.2 Service Arrangements relevant to financial statements

The Secretariat relies on other government departments for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements:

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of certain goods and services and provides accommodation services;
- On behalf of the employer, the Treasury Board Secretariat (TBS) provides the Secretariat with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- Shared Services Canada (SSC) provides IT infrastructure services to the Secretariat in the areas of data centre and network services. SSC also provides the service for the acquisition and provision of hardware and software for workplace technology devices to the Secretariat. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and the Secretariat.

SECRETARIAT OF THE NATIONAL SECURITY AND INTELLIGENCE COMMITTEE OF PARLIAMENTARIANS

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

Specific Arrangements:

The Secretariat's financial transactions are processed by PCO within their financial system and are for the most part subject to the same control environment. These services are the subject of a MOU between the two organizations.

3. Departmental assessment results during fiscal year 2018-19

The Secretariat has established its business processes and implemented its control environment by leveraging the processes and controls implemented at PCO for Hospitality, Travel, Payroll, Payable at year-end (PAYE) and monthly accruals, and Budget Review Exercises.

New or significantly amended key controls - The Secretariat relies on the system of internal control implemented at PCO for the above noted business processes. New or significantly modified internal controls are disclosed in the Annex of PCO's statement of management responsibility.

On-going monitoring program - The Secretariat's monitoring program for the above noted business processes leverages PCO's rotational on-going monitoring plan disclosed in the Annex of PCO's statement of management responsibility.

4. Departmental action plan

4.1 Progress during fiscal year 2018-19

Progress for the business processes noted in section 3 of the Secretariat's Annex above is disclosed in the Annex of PCO's Statement of Management Responsibility.

4.2 Action plan for the next fiscal year and subsequent years

Any action plans for the aforementioned business processes are disclosed in the Annex of PCO's Statement of Management Responsibility.